all roads lead to home

A new approach to equity investment provides the keys to a global portfolio of holiday homes. Sue Chester **finds the prospect very alluring**

Concealed on a Phuket private estate overlooking Surin beach, Villa Arawan (pictured on final page) is one in a portfolio of global properties offering unforgettable holidays in return for an investment. The traditional spiked pagodas that flank the orchid-strewn pool are an idyllic setting for an evening meal with the family, where, to the trill of cicadas, you can brainstorm which other handsome quarters in the portfolio to visit next.

Villa Arawan is a new hybrid of holiday home, an equity investment that offers a high-end house share at a choice of stylish vacation and city destinations. It is ideal for those who roam throughout the year, between co-ordinates as diverse as Mauritius, Cape Town, Florence and Berlin, and who want a home-from-home without the hassles of multi-property ownership.

David Rogers is a founding director of Rocksure, one of this new breed of businesses with residences, including Villa Arawan, scattered over several continents. The success of US destination clubs in the 2000s was a significant influence on the venture's launch in 2004. "Members were piling in, writing cheques for $300,000 to enter these clubs, but the properties were still owned by the club's founder," explains Rogers. "It was only timeshare really, members had just bought time. If there was a capital gain – and in those days there certainly was – that belonged to the entrepreneurs who'd bought the properties with the members' money."

Rogers decided to turn the destination-club sector on its head, so that "the people writing the big cheques" could own the properties themselves. He set up a real-estate equity fund offering shares in a luxury property portfolio, with a points system – "Rocksure pounds" – that provided a specific number of days' usage per year according to the capital investment made. A typical £238,000 villa-fund share translates to two high- and two low-season weeks, or for "canny members", as Rogers puts it, a low season booking stretching up to six weeks.

Getting time-specific access for your cash in an equity investment sounds bafflingly similar to timeshare or fractional ownership. However, timeshare is the long-term purchase of self-catering holidays, typically offering one week's occupancy at a specific resort. Fractional ownership, meanwhile, is generally seen as the

Above and right: **Equity Estates' ultra-modern Casa Cristal in Costa Rica**

Left: **Equity Estates' latest acquisition, Rum Punch Villa, in Anguilla.** Below: **The Hideaways Club's Chalet Lune in Nendaz, Switzerland**

purchase of a deeded portion of one specific property, hotel or resort. However, the timeshare industry these days also sells longer chunks of time, and confusingly calls this fractional ownership.

Philip Bacon is managing director of the Madrid office of HVS, specialist consultants and advisers to the hospitality industry in all its forms and guises. He describes this new form of equity investment that has one foot firmly planted in the leisure industry thus: "Rocksure and equivalents have made the real estate itself appeal to the end user, instead of just the holiday aspect. In doing so, they've put themselves into the world of financial services. It's an investment-driven product; you're buying into a fund that owns a portfolio of properties."

All equity-investment firms have a predetermined number of shareholders and properties for each fund, ensuring members receive the maximum possible access. Rocksure's first fund, Alpha, opened in 2006 and was designed to cap at 36 shareholders and six properties. By 2007, Alpha shareholders owned mortgage-free villas on the Algarve and in Marrakech, Buzios, Phuket and Colorado, plus a New York apartment. Its Bravo villa fund opened in 2008, with new destinations.

Most of the funds are structured around a planned exit period. Rocksure's Crystal villa fund has a seven-year life span, while its Capital fund will close after 10 years. Opened in 2010, Capital was designed to appeal to a new market of business travellers and city-break fans, enabling them (following an investment of £100,000) to stay in their own classy Paris, Barcelona and Prague apartments for 14 to 25 days per year. The next acquisition will be in Vienna or Venice, with London and Florence also on the horizon. The respective property portfolio is sold at the predetermined fund end date, and shareholders can expect to receive their original capital investment back, plus more than 80 per cent of any capital growth.

Another equity-investment company is The Hideaways Club, which started in 2007 and has two collections. The Classic (£250,000 per share) has 270 members and 40 properties throughout Africa, Asia and Europe. It will cap at 600 members and 100 properties. The City (£127,000 per share) launched in January 2011. Its 120 members (to cap at 1,200, with 120 homes) currently own apartments in Bangkok, Berlin, Dubai, Istanbul, Kuala Lumpur, Miami, New York and Prague. Unlike Rocksure, its funds continue in perpetuity. "We don't like the idea of being forced to sell at a certain time, as it might be the wrong one economically," explains Stephen Wise, Hideaways' co-founder and CEO.

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Former tennis champion Tim Henman and racing driver Nick Heidfeld have invested in The Hideaways Club's multi-home-owning lifestyle, which includes Chalet Lune in Nendaz, Switzerland (pictured above). The ski-in, ski-out home offers wraparound mountain vistas, and you can head straight from the slopes into a Jacuzzi to mull over a late-winter break to Palm Springs.

The finances seem promising, too. Rogers believes that Rocksure's Alpha villa fund – due to end in 2014 – has generated a 20 per cent capital gain over five years. "So with almost two years to go, things look good. That figure would have been considered bad in the run-up to 2007, but it's amazing in today's economic climate."

Yet while investors become key-holders to multiple smart front doors, leaving them spoilt for choice, they are also charged annual dues to cover the cost of utilities, gardening, maintenance, insurance and a concierge service. Those relating to Rocksure's villa funds include an on-site cook/housekeeper, too. Rogers adds food for thought: "With a bit of luck and a fair wind, the annual dues will be covered by eventual capital gain. It's a nice feeling. You sit by your pool, paying £1,200 a week for the whole property with your family and guests, and you think, 'This could end up being free.'"

It's worth noting that annual charges vary markedly. Hideaways' range from £3,250 to £6,500 for the City Collection and £4,650 to £14,000 for the Classic Collection. Meanwhile, Sibaris Villas, a new fund due to open in April, will charge about €36,000 per year for a collection of mostly five-star-hotel-branded palatial villas costing around €7.1m apiece. (The average fund property purchase price is about €1.5m.)

In early 2010, retired journalist John Quinn invested £189,000 in Rocksure's Bravo fund and £93,585 in the Capital fund, and pays £4,000 and €2,100 in annual charges respectively. "The charges are relatively low in Rocksure. If they're not, where is the fun in the finances? Instead of getting a dividend on your investment, on which you have to pay tax, you get holiday weeks, so your fund provides a 'dividend' that is tax free. If the equivalent of that holiday time costs a vast amount in annual charges, how do you benefit financially?"

Stephen Petasky, president and founder of Canada's The Luxus Group, explains that entering either of his

Left: Rocksure's Villa Arawan in Phuket, Thailand. Below: the outdoor living room at The Luxus Group's Auberge Resorts Calistoga Ranch in California's Napa Valley

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funds is selective. "Applicants must have a fluent to high net worth. They have to be accredited investors with C$1m [about £645,000] of liquid net worth just to get into the game. We want people who have the means to carry on, not someone who's mortgaging C$200,000 on a home to buy into Luxus."

In return, they gain access to prized properties such as The Luxus Group's Auberge Resorts Calistoga Ranch forest retreat at the northern end of California's wine country, deep in a Napa Valley private canyon. The timber cabin has a capacious outdoor living room with a wood-burning stove (pictured right), and a jetted spa tub on the veranda. With annual charges ranging from C$6,900 to C$27,000 (about £4,450 to £17,400), Luxus members expect nothing less than premium home-from-home creature comforts, as Petasky explains: "We stock a full drinks cabinet, mountain bikes in the garage, boogie boards at surf destinations, etc. All so you don't have to start your vacation from scratch."

Judson Macor, CEO of his own business, Airsprint, invested C$300,000 (about £193,500) one year ago in Luxus' Elite fund, allowing about three to four weeks of mid-season stay. He plans to take his family around Europe on a four-week trip via Rome, London, Paris, Florence and Venice. "I was just in Hawaii. Last year we went to Costa Rica," he says. "The ability to travel almost anywhere in the world and have access to a private residence, that's what it's all about."

A new British leisure-property fund, Emerald Circle, is due to open in the second quarter of 2013. It is an open-ended fund with the option of experiences 365 days a year; members can opt to use their points on one-off special events, such as a private tour of the Harry Potter studio with a cast member, or a round of golf at St Andrews with a premier player. Emerald's ambition is to achieve 750 to 1,000 members over a seven- to 10-year period, building up to a £1bn property portfolio. Destinations such as Myanmar are being considered, as are a few £7m to £15m trophy homes: a Tuscan palazzo and French châteaux.

Philip Mekelburg is CEO and co-founder of Equity Estates, a US luxury-residence fund. He started the company in 2006. "At that time, it was impossible to find a quality home in the holiday-rental sector that was stylish, with a concierge service and with consistency at each location," he says. "You would see something on the internet, but when you showed up, the side of the house that wasn't photographed would be awful and there would be mould in the children's bedroom."

Equity Estates' latest acquisition is Rum Punch Villa (pictured on previous page), a 7,500sq ft aquiline structure on a secluded beach in Anguilla. Eye-catching atop a rocky outcrop, its white façades match the starched sands perfectly. Its a property that sounds like it might appeal to Dennis Pemberton, CEO of a real-estate-investment firm who has bought a $300,000 share in Equity Estates, whose annual fees vary from $10,000 to $20,000. Pemberton has already experienced the fund's "fabulous" Turks and Caicos villa with his family and the New York pads for business trips. "The Columbus Circle one is in a top location close to 5th Avenue and the Plaza Hotel. The living room's corner windows afford a stunning view over Central Park and the city lights by night."

Pemberton's favourite home to date is Casa Cristal in Costa Rica (pictured on opening page). "It's this amazing ultra-modern glass, cubic house that sits right on the ocean. People walking down the beach stop and look up at it. There's an infinity pool that overlooks the ocean; you hear the sound of the waves crashing. We had a chef come to cook us some of the best meals we've ever eaten. The family joke is that every time we leave a property we say, 'This is where I want to live.'" ✦

HOUSE SHARES

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